

Decision **DRAFT DECISION OF ALJ BARNETT** (Mailed 5/17/2005)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the  
Commission's Own Motion to Determine  
Whether Baseline Allowances for Residential  
Usage of Gas and Electricity Should Be Revised.  
(U 39 E)

Rulemaking 01-05-047  
(Petition Filed May 10, 2004)

**OPINION GRANTING THE PETITION OF  
PACIFIC GAS AND ELECTRIC COMPANY  
TO MODIFY DECISION 04-02-057**

Pacific Gas and Electric Company (PG&E) seeks two modifications to  
Decision (D.) 04-02-057, the Baseline Phase 2 Decision.

The first modification reconciles two Commission decisions – the Baseline  
Phase 2 decision and the Rate Design Settlement Agreement (RDSA) decision,  
D.04-02-062 – with the ratemaking adopted for PG&E's post-bankruptcy rates.  
Specifically, the Baseline Phase 2 decision requests PG&E to immediately  
address, in part, the recorded undercollection of the Baseline Balancing Account  
(BBA) and the Common Area Balancing Account (CABA). The RDSA (approved  
in D.04-02-062) requires that the recorded undercollection in these accounts be  
addressed in a subsequent proceeding such as Phase 2 of PG&E's General Rate

Case (GRC).<sup>1</sup>

The second modification of D.04-02-057 is to eliminate the order to increase some rate components to collect the proper revenue requirement at the expense of other rate components which will then be too low. D.04-02-057 requires that, when new baseline quantities are implemented to conform with the Commission guidance on usage of seasonal/vacation homes, non-generation rates be increased with an offsetting reduction to generation rates such that total rates do not change. While an offsetting adjustment to generation rates to hold total rates at their current level was consistent with the rate freeze, the rate freeze was terminated by D.03-12-035 and the Modified Settlement Agreement (MSA) in PG&E's bankruptcy proceeding, and replaced by cost of service ratemaking. Thus, cost of service ratemaking requires that if the Commission increases one non-generation component of rates to collect the proper revenue requirement for that component, total rates must also increase so that the utility continues to collect the proper total revenue requirement. Absent the increase to total rates, generation rates would be lower and would not collect the authorized generation revenue requirement. Moreover, total rates would not collect the authorized total revenue requirement. Absent an adjustment to total rates, PG&E believes that the Commission otherwise would need to modify its decision in order to defer the change to non-generation rates.

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<sup>1</sup> Regardless of the conflicting direction in these two decisions, PG&E believes no adjustment in rates is necessary since all of PG&E's baseline revenues through the end of 2003 were fully recovered through the Transition Revenue Account. Thus, further recovery of these undercollections would constitute double recovery of BBA and CABA past undercollections.

To reconcile the Baseline Phase 2 decision and the RDSA decision, PG&E requests adoption of the following minor modification to the Ordering Paragraphs of the Baseline Phase 2 decision (changes shown in bold):

22. Each electric utility that has a BBA or CABA (except SCE **and PG&E**) shall file and serve a compliance advice letter within 30 days of the effective date of this order, with tariff modifications to become effective within 45 days of the effective date of this order, to adjust its non-generation or non-commodity rates to reflect the on-going effect of changes currently being accrued in its BBA and ~~(for PG&E only)~~ CABA and to amortize over 12 months its existing undercollections of non-generation or non-commodity revenue requirements. Generation or commodity rates shall be adjusted so that total rates are unchanged. The advice letters shall become effective after appropriate review by Energy Division.

To implement its second modification, PG&E requests adoption of the following minor modifications to the Ordering Paragraphs of the Baseline Phase 2 decision (changes shown in bold):

12. If the advice letter of an electric utility filed as provided in Ordering Paragraph 10 adjusts baseline quantities, the accompanying tariff modifications ~~shall~~ **may** adjust its non-generation or non-commodity rates if ~~needed~~ **desired** to maintain revenue neutrality for those rate components and shall adjust its generation or commodity rates so that total rates are unchanged, to be effective at the beginning of the next baseline period. Each such electric utility shall establish a BBA if it does not have one, and shall record in its BBA any generation or commodity revenue shortfalls resulting from the exclusion of seasonal residences from baseline calculations.

23. Each electric utility that has baseline-related balancing accounts or creates such accounts pursuant to this order shall maintain ~~the generation or commodity portion of such accounts~~ **each portion of such accounts by function**

(generation, non-generation, etc.) until a comprehensive assessment of costs, cost allocation, and rate design issues is undertaken in its general rate case or other appropriate proceeding.

There are no protests. The Energy Division recommends granting the petition. We will grant the petition.

### **Comments on Draft Decision**

The draft decision of the Administrative Law Judge in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. No comments were received.

### **Assignment of Draft Decision**

Geoffrey F. Brown is the Assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. D.04-02-057 and D.04-02-062 presented conflicting directions regarding recording undercollections in various baseline accounts.
2. The requirement of D.04-02-057 that when the new baseline quantities are implemented there should be an offsetting reduction to generation rates is in conflict with our recent cost of service directives to PG&E.

### **Conclusion of Law**

D.04-02-057 should be modified as set forth in the following order.

## **O R D E R**

**IT IS ORDERED** that Decision 04-02-057 is modified as follows:

1. Ordering Paragraph 22 shall read:

“Each electric utility that has a BBA or CABA (except SCE and PG&E) shall file and serve a compliance advice letter within 30 days of the effective date of this order, with tariff modifications to become effective within 45 days of the effective date of this order, to adjust its non-generation or non-commodity rates to reflect the on-going effect of changes currently being accrued in its BBA and CABA and to amortize over 12 months its existing undercollections of non-generation or non-commodity revenue requirements. Generation or commodity rates shall be adjusted so that total rates are unchanged. The advice letters shall become effective after appropriate review by Energy Division.”

2. Ordering Paragraph 12 shall read:

12. If the advice letter of an electric utility filed as provided in Ordering Paragraph 10 adjusts baseline quantities, the accompanying tariff modifications may adjust its non-generation or non-commodity rates if desired to maintain revenue neutrality for those rate components and shall adjust its generation or commodity rates so that total rates are unchanged, to be effective at the beginning of the next baseline period. Each such electric utility shall establish a BBA if it does not have one, and shall record in its BBA any generation or commodity revenue shortfalls resulting from the exclusion of seasonal residences from baseline calculations.

3. Ordering Paragraph 23 shall read:

23. Each electric utility that has baseline-related balancing accounts or creates such accounts pursuant to this order shall maintain each portion of such accounts by function (generation, non-generation etc.) until a comprehensive assessment of costs, cost allocation, and rate design issues is undertaken in its general rate case or other appropriate proceeding.

4. Rulemaking 01-05-047 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.